3 Key Steps towards Unlocking Client Insights for Private Banking

Client static and behavioural data
— An untapped abundant resource

Digital platform owners in private banks have come to realise the potential of the highly valuable but untapped client information that their applications have accumulated over several years. Private Banks have embarked on a journey of digitalization with heavy investment into digital platforms. From client facing online banking services to back-end operational procedures, there has been a considerable digital transformation. The technological advances in the Private Banking industry can have many benefits, such as the betterment of the client experience and the reduction of operational overheads. Banks, however have to start considering how they can combine their digital transformation and data analytics to reap the benefits of client insights.
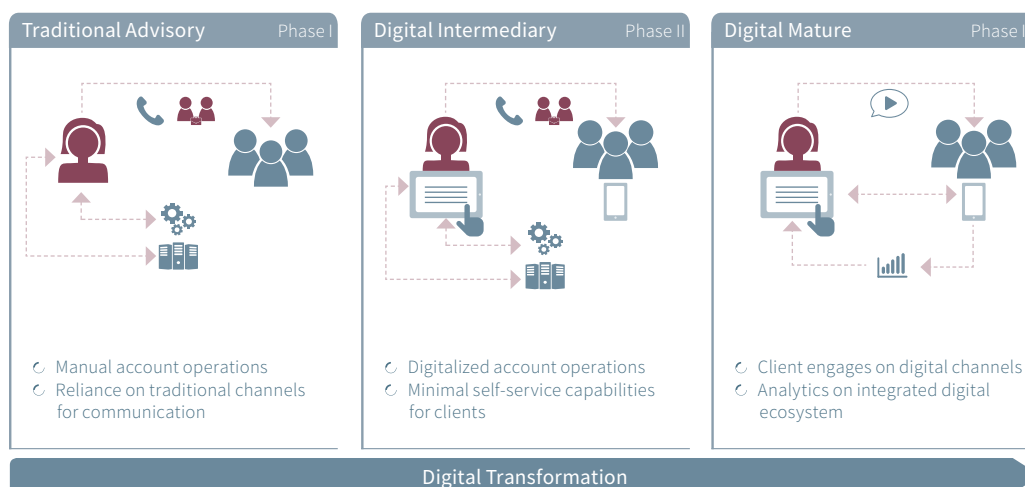
The accumulated data is not necessarily restricted to static, client information acquired during Know-your-client procedures and investor profiling stages. Additionally, there is an abundance of client behavioural data; client's trades, contact reports, click streams through online channels, engagement channels, etc. The volume of such data has doubled every three years, with an increasing number of digital channels and services, while data storage costs have become cheaper. With enhanced computing power to perform data analytics, valuable client insights can be generated from the raw data to enhance the client experience and drive revenue generation. Naturally, there are some hurdles that need to be overcome before turning this mountain of data into value creating insights.

Step 1 — Journey towards becoming «Digital Mature»

The lack of a well-defined Digital Strategy that fits with the core strategy of the bank presents a core challenge for Private Banks. In the private banking industry, most initiatives have been implemented in silos across different parts of the organisation – separate to the overall strategy. This has led to misalignment, both at the service and system level. As an example, few banks have a client facing digital application that talks to the digital workbenches used by the relationships managers that feed insights on the clients' activities. This misalignment results in overheads in consolidating client behavioural and static data in a centralized data warehouse. This is considered a prerequisite for implementing effective data analytics and insight generation. It could take years before a centrally available data warehouse with good data quality can be established.

To address this roadblock, Private Banks are encouraged to evolve their digital strategy towards an ecosystem of digital applications that not only suits central harnessing of data but positively impacts the client experience. To achieve this, Private

Traditional Advisory — Phase I	Digital Intermediary — Phase II	Digital Mature — Phase III
↻ Manual account operations ↻ Reliance on traditional channels for communication	↻ Digitalized account operations ↻ Minimal self-service capabilities for clients	↻ Client engages on digital channels ↻ Analytics on integrated digital ecosystem

Digital Transformation

1 Phases of digital transformation in private banking

Banks are advised to evaluate where they currently stand on the 3 stages of the digital road-map:

○ Traditional advisory activity, which is predominantly conducted by Relationship Managers and their team of product experts or operational staff. Clients predominantly rely on the Relationship Managers for all their needs ranging from sophisticated financial advice to simple needs on account operations; payment remittances, financial statements, updating of personal information etc.

○ «Digital intermediate» is the stage where the Relationship Managers and their team provide higher value added services. The primary focus here is on portfolio advisory and market views while leveraging on their digital platform for account operations. In this stage the Relationship Managers are viewed as still relying on traditional channels of engaging their clients – via personal meetings or telephone conversations.

○ «Digital Mature» is the stage where predominantly most parts of the advisory process are digital. Clients can engage Relationship Managers actively via digital channels in order to seek market views, place trades or to check their positions and statements, to open new accounts or to seek investment recommendations.

At Synpulse we assess our client's current position and propose the transformation plan to achieve the next best position on the digital road-map. Our digital strategy consists of an integrated digital advisory and operating model for Private Banks. This allows a seamless integration of digital elements into the core business. We adopt a client-centric approach which looks into key aspects; client profiles and behaviours, the bank's business model and the current IT landscape supporting clients and their advisors. The outputs of this assessment includes a:

○ Client Journey; Composing of a case of how different categories of clients engage with the bank, thus identifying the key digital and manual touchpoints.

○ Digital Target Operating Model; Consisting of processes and the suite of applications that will support the client journey.

This then evolves into a digital ecosystem which integrates people and processes within the organisation supported by a central IT landscape. Establishing a digital ecosystem accelerates the coupling of the client profile and behavioural data. With a centralized IT backbone supporting the client's journey, static and behavioural data will be more abundant, fast growing and also enriched with contextual information.

Step 2 — Building Insight Repositories

In most Private Banks in Asia, analytics is carried out using simple tools and on ad-hoc basis due to the lack of dedicated insight generation teams or capabilities. Predominantly these ad-hoc analytics are on descriptive aspects of the business and seldom seek predictive data across business units, throughout the Bank. A common result of the above is the lack of efficiency due to a protection of information flow. In short, a doubling up
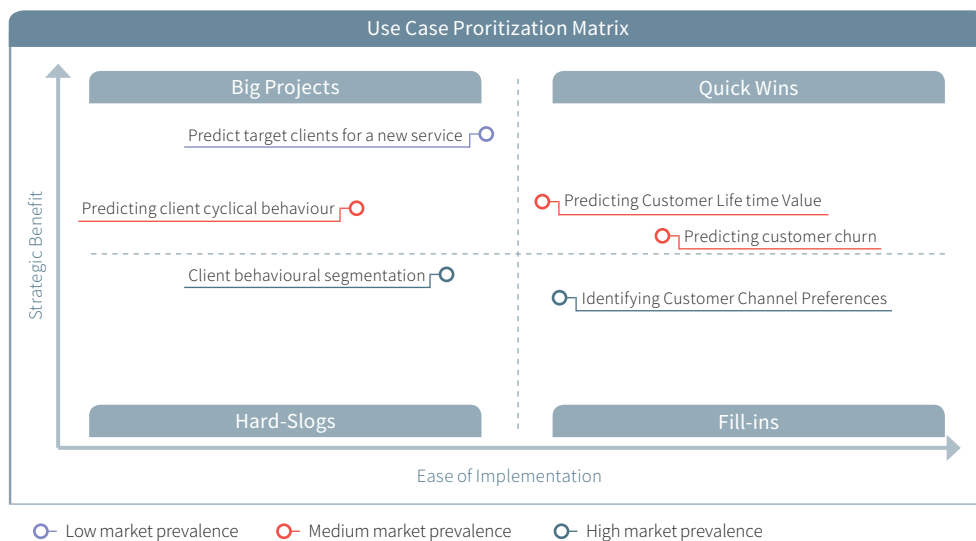
2 Prioritization of insights for implementation

of workload. This creates inefficiency and inconsistency in generating any insights the bank might seek. Thus the lack of a central, accessible repository of insights, is the second road-block in the journey towards leveraging on client insights.

Fortunately this road block can be easily overcome with a program for building and maintaining standard repository with the following, fundamental steps:

- Identify common use cases within an open forum and bespoke reports from all business functions and establish a repository. Enrich the use cases with additional predictive and prescriptive business intelligence.

- Prioritize the standard set of insights and use cases using 2 key factors; business relevance & ease of implementation. Factors influencing business relevance would ideally include; revenue generating potential, business criticality and frequency of requests. Complexity should be governed by the infrastructure complexity and data quality required for the insight. The outcome of this classifies these use cases as:

    - 3 – 6 months implementation time:
        - Quick-wins
        - Fill-ins

    - More than 6 months implementation time:
        - Hard Slogs
        - Big-Wins

- Establish the data warehouse that consolidates all the data requirements that support these use cases. This could be a natural outcome of the centralized IT landscape that supports the digital strategy. Alternatively, it could be a onetime data consolidation exercise followed by reviews on a need-to basis.

In order to fulfil this ambition, a central competence centre should be set up within the organisation. Ideally, this would build the business logic, maintain the repositories on an on-going basis and constantly keep improving the use cases with changing business needs.

Predictive analytics can provide solutions to common business questions, such as; How much revenue is this client going to generate? What is likely to be a client's most preferred engagement channel in the future? What is the pool of clients that are likely to churn? Will a client be interested in a newly launched product or service?

The models to answer such questions along with contextual descriptive analytics, will be executed on a regular basis by automated engines and readily available for consumption as and when required. This only creates a highly valuable repository of information which would impact nothing, however, if not considered for key business decision making.

Step 3 — Insight visualization and placement
To realize the full potential of client analytics, Banks are encouraged to find the best way to place the insights generated about its clients in an easy to access, understandable and timely manner across the organization. Most importantly, key revenue generating functions should have insights and predictions related to their clients on a daily basis in order to dedicate their time and resources on clients that will maximise their profits. The non-availability of such insights at the right place and time is the third challenge that private banks are confronted with.

The solution to this lies in visualization of data and distribution of insights in the form of integrated dashboards that fit into the workbenches used by Relationship Managers. These dashboards can be customized by allowing the Relationship Managers to subscribe to the insights and descriptive statistics specific to their clients. A list of prescriptive actions for Relationship Managers for every client that they serve can be pushed into these dashboards to alert them to actively manage the account. For example, an insight (such as account inactivity for extended periods or frequent asset transfer to other financial institutions) that predicts that the client is about to close the account can prompt a timely prescription for the Relationship Manager to take relevant actions in order to prevent an adverse outcome.

Investment recommendations generated from robotic advisors, portfolio analytics, product specialist recommendations and house views can also be integrated into these dashboards. This ultimately ensures the Relationship Manager has a constant stream of trade recommendations tailored to their clients. In essence, Relationship Managers can engage in more proactive sales activity, tailoring solutions for their clients.

Conclusion
Given the rapid increase in clients' demand for digital channels and services, there comes a strong need to explore strategic ways of maximising the potential of client data analytics. The mountain of data that these channels and services collect, can be put to optimal use in deriving valuable insights about clients.

Thus, Private Banks have to start thinking about establishing the data analytics capabilities necessary for tapping into the enormous potential of client data. Data analytics will not only help the bank to understand its clients better but also the insights, if generated, visualised and distributed the right way, will help in making key strategic decisions that can give the bank a competitive edge.

The key to this lies in establishing digital capabilities for harnessing client data followed by a systematic approach to turn this data into insights. While embarking on this journey from traditional advisory to a state of "Digital Mature", banks will face challenges in deciding on the optimal suite of applications that befits the banks and its clients. After establishing this, the harnessed client data needs to be put to use through insight generation. To maximise the impact of these insights, banks need to have the capabilities to distribute in a timely manner to different functions in the bank.

The 3 steps discussed in this article – having a Digital road-map, establishing a central data warehouse combined with a repository of uses cases and insight visualization and placement – will facilitate overcoming these challenges and in unlocking client insight generation for private banks.
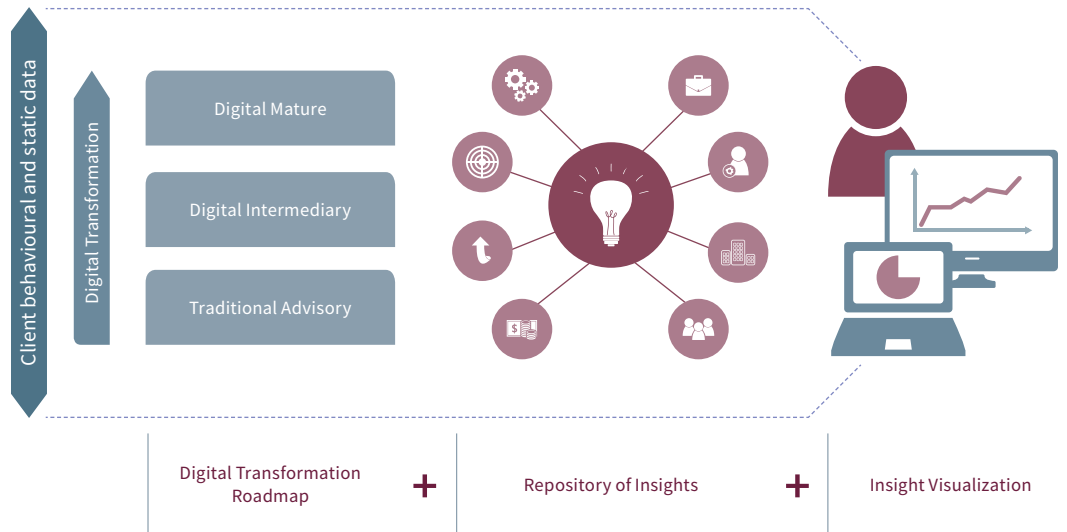
3 Building blocks to unlock and visualize insights

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